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Governor Quinn Applauds Passage of Legislation to Strengthen Unemployment Insurance Program

Bi-Partisan Reforms Will Save Businesses \$400 Million, Encourage Growth

SPRINGFIELD – November 10, 2011. Governor Quinn today applauded the passage of bi-partisan legislation to strengthen the integrity of Illinois' unemployment insurance program. The reforms – supported by numerous groups, including the Illinois Retail Merchants Association and the Illinois AFL-CIO – are expected to save Illinois businesses more than \$400 million, provide 16 percent unemployment insurance tax reductions for companies that have not laid off workers, and identify and punish those that defraud the unemployment system.

"We are in difficult economic times, and we need to bolster our unemployment insurance program to protect both workers and businesses," Governor Quinn said. "As we did with our workers' compensation overhaul this spring, we brought everyone to the table to find a solution. I want to thank representatives of labor, business and the General Assembly whose hard work and collaboration created a package of reforms that will reward Illinois companies for sound business practices, protect those laid off through no fault of their own and give our companies the confidence to grow."

Illinois' Unemployment Trust Fund (UTF), like all unemployment trust funds, is designed to be resilient to economic movements, running deficits during downturns and building a surplus during times of prosperity. Due to the ongoing national recession, however, the self-correcting unemployment trust funds in more than half of U.S. states currently carry a negative balance. Illinois is expected to end 2011 with \$2.4 billion in outstanding loans from the federal government to cover state unemployment benefits. Without the agreement, in 2012 federal penalties would result in increased unemployment insurance taxes for companies throughout Illinois, regardless of whether they have laid off workers.

The legislation allows Illinois to issue non-General Revenue Fund (GRF) bonds during a period of historically low interest rates to keep the fund solvent, without shrinking benefits and preventing additional taxes to businesses. The bonds prevent continued UTF borrowing at 4 percent interest from the federal government, saving the state an estimated \$240 million (nearly \$82 million in interest payments in 2012 alone). The bonds are paid for entirely by businesses normal contributions to the UTF and require no payments from the GRF, freeing money for other state obligations.

The bill also will save businesses more than \$400 million through 2019 by preventing the penalty taxes that further federal borrowing for the UTF would create. In addition, the agreement will provide significant tax reductions to the nearly 46 percent of Illinois employers (more than 143,000) that have not laid off workers during the recession. Under this legislation, companies that have avoided layoffs will see, on average, a 16 percent reduction in their unemployment insurance taxes in 2012.

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"Businesses need a degree of tax certainty to successfully grow in this economy. This legislation will provide the tax relief to make that happen while making the trust fund solvent," David Vite, president of the Illinois Retail Merchants Association, said.

"This bill recognizes the difficult decisions necessary to prime the pump of this economy," Tim Drea, secretary-treasurer of the Illinois AFL-CIO, said. "We recognize that the best economic environment in Illinois occurs when business and labor work together."

The reforms also introduce new tools to prevent and recover fraudulent payments, which will help restore UTF solvency. The legislation will, for the first time, allow the state to garnish federal tax returns of individuals who purposefully collect unearned unemployment insurance benefits and establish personal liability for individuals who defraud the unemployment insurance program of taxes owed.

"This legislation will help our businesses regain their footing and provide certainty so they can appropriately prepare for the future," Illinois Department of Employment Security Director Jay Rowell said. "Although the lingering effects of the national recession echo across our country, we must not let that uncertainty prevent sound proposals that will help our local economy."

The unemployment insurance program is a joint federal-state effort, coordinated by the U.S. Department of Labor and the Illinois Department of Employment Security. Businesses' unemployment insurance taxes fund the UTF, and those contributions fund unemployment insurance benefits to qualified workers. The amount businesses pay is tied to their experience with the program; the more employees a business lays off, the more they must contribute to the fund to support the increased stress on the UTF.

The UTF provides benefits to individuals laid off through no fault of their own based on their income over the previous four quarters. Unemployment benefits provide temporary assistance until an individual is able to find meaningful employment. Temporary payments also help communities in times of economic stress by ensuring continued spending in the local economy.

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